MONEY AND THE NATIONAL FINANCES.

AN ADDRESS

DELIVERED BY REQUEST OF

CITIZENS OF PHILADELPHIA,

AT THE

ACADEMY OF MUSIC,

JANUARY 15, 1876.

BY

HON. WM. D. KELLEY, M. C.

PRINTED BY ORDER OF THE COMMITTEE.

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Whether the use or nature of money, which all men so eagerly pursue, be sufficiently understood or considered by all?

Whether we are sufficiently sensible of the peculiar security there is in having a bank, that consists of land and paper, one of which cannot be exported, and the other is in no danger of being exported?

Whether the united stock of a nation be not the best security? And whether anything but the ruin of the state can produce a national bankruptcy?

Whether the total sum of the public treasure, power, and wisdom, all co-operating, be not most likely to establish a bank of credit, sufficient to answer the ends, relieve the wants, and satisfy the scruples of all people?

Whether the prejudices about gold and silver are not strong, but whether they are not still prejudices?

BERKELEY'S *Querist*, 1735.

COLLINS, PRINTER.

CORRESPONDENCE.

PHILADELPHIA, December 15, 1875.

TO THE HON. WILLIAM D. KELLEY, M. C.

DEAR SIR: Recognizing your long and faithful devotion to the public service, and especially your able advocacy of the policy of protecting American industry, upon which the development of the resources, not only of Pennsylvania, but of the entire country, so largely depends, we feel that your opinions upon any great political question are worthy of respectful consideration; and, noticing that your views on the subject of the FINANCES have been variously reported, we are desirous of having an opportunity of hearing your own expression of them, so that your position may be fully and clearly understood by your constituents.

This we do regardless of our own opinions on the subject, but feeling that the question is an absorbing one at the present time in the various sections of the country, and yet, perhaps, not as clearly understood as it should be.

We therefore beg to invite you to address your fellow citizens of Philadelphia upon the financial issues of the day, at such time as may be agreeable to yourself. We remain, dear sir, very truly and respectfully yours,

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Gentlemen: Your favor inviting me to address the citizens of Philadelphia upon the financial issues of the day has just been handed me, and I hasten to accept your invitation, and to put myself at your disposal on any evening that will suit your convenience, and not seriously interfere with the performance of my Congressional duties.

Permit me to thank you, as I do most sincerely, for this expression of your approval of my past course as a Representative, and to express the belief that, having heard my views on this, the imminent question of the day, you will, however you may dissent from my conclusions, credit me with humane and patriotic purposes, and with having bestowed patient, comprehensive, and conscientious study upon the practical details and subtle laws of a subject, the proper adjustment of which is of prime importance to every American citizen. Meanwhile, I remain yours, very truly,

WILLIAM D. KELLEY.

PHILADELPHIA, December 27, 1875.

HON. WILLIAM D. KELLEY, M.C.

DEAR SIR: We beg to convey to you an expression of our thanks for your masterly and eloquent address on the subject of Money and the National Finances, delivered at the Academy of Music on Saturday last, 15th inst. It is with sincere pleasure that we tell you that it far surpassed our most sanguine expectations, and that we feel more than compensated for the self-imposed duties performed by us as the committee in charge.

As an able and well-sustained argument, it deserved the close attention given to it for nearly three hours, by one of the largest and most intelligent audiences that ever graced the Academy of Music, while as an oratorical effort, it was unsurpassed—indeed we may say unequalled—by any address upon this subject, that it has ever been our privilege to hear.

It may be gratifying to you to know the fact that the members of the Committee who proposed the delivery of this address are, without exception, free from any strong partisan bias, and uninfluenced by political association. They are practical business men, who appreciate the distinguished ability, integrity, and patriotism with which you have labored for so many years, to stimulate the American people to develop the resources of their own great country, and to cease being tributary to foreigners.

To the policy that rendered England the great manufacturing nation that she has become, and the steady pursuance of which renders France to-day the marvel of the world, you have unceasingly directed the attention of your fellow countrymen, and urged upon them the necessity of pursuing a similar course if they would become a people thoroughly great, powerful, independent, and respected by all other nationalities.

For this we shall always feel that you deserve the lasting gratitude of every lover of his country. The patient industry with which you have collected facts bearing upon the subject of protection to native industries, and the clearness and force with which you have presented them to the people, had assured us that upon the question of Finance, your views would deserve a respectful hearing by your fellow townsmen, and we determined that such should be accorded to you.

Our expectations have been more than realized by the able manner in which you discussed the question of Finance on Saturday night.

We feel that your views—sustained, as they are by facts, and endorsed by our venerable and beloved fellow citizen, Henry C. Carey, should be presented

to the people at large; and we avail ourselves of this opportunity to suggest that your address should be printed, and so distributed that your views need no longer be misrepresented, and we beg, therefore, to ask from you a copy for that purpose.

We remain, dear sir,

Very respectfully and truly yours,

ALEXANDER H. JONES,
EDWARD H. HANCE,
HENRY N. RITTENHOUSE,
JOHN FERGUSSON,
C. A. KURLBAUM,
HENRY CAREY BAIRD,
Committee.

PHILADELPHIA, January 22, 1876.

WASHINGTON, D. C., February 8, 1876.

Messrs. ALEXANDER H. JONES, EDWARD H. HANCE, HENRY N. RITTENHOUSE, JOHN FERGUSSON, C. A. KURLBAUM, and HENRY CAREY BAIRD, Philadelphia, Penn.

GENTLEMEN: The very flattering terms in which you clothed your request for a copy of my recent address demanded immediate acknowledgment, and you should have received it, but that I felt it was due to the gravity of the subject discussed, and to the labors you had bestowed on the occasion, that I should correct the reportorial and typographical mistakes that were necessarily incident to the haste attending the preparation of the report for the morning *Times*, and append, as notes, references to authorities and statements of facts, which, in my judgment, sustain the several positions assumed in the course of the address. To do this, while under the constant pressure of duty, has been a work of more time than I supposed it would require. It has, however, been accomplished, and I hasten to send you the inclosed.

Language fails to enable me to express the thanks I owe you for having afforded me so ample an opportunity to present my views to, not only my constituents, but to the citizens of Philadelphia generally. They had been sadly misrepresented, and to be permitted to present and illustrate them in person to such an audience as assembled upon your invitation, was a privilege for which, I assure you, I shall ever be grateful.

Yours very truly,

WM. D. KELLEY.

MONEY

AND

THE NATIONAL FINANCES.

Ladies and Gentlemen :—

The subject I have been invited to discuss is one of dry detail, and I cannot pause even to express my grateful appreciation of this greeting, but must hasten to my theme, lest you be wearied before I conclude. I begin the discussion of finance with the fundamental question: What is money? Gold is not, silver is not, paper is not money. These are and have all been used as the material of money since civilization advanced sufficiently to require a medium of exchange to facilitate societary movements. Yet none of them is inherently money. Money is a national institution. It is ordained by governments for nations. It is that which a government declares shall be legal tender in payment of debts throughout its jurisdiction.*

* The following sections of the Revised Statutes contain the entire body of American law on the subject of legal tender. They show what is money, and that certain forms of it, including our silver coins, are money only within certain limits of value and use, and that those coins which are used with much greater frequency than those representing larger sums are least available in the final function of money, the payment of debt.

It will be observed that the first Section No. 3584, vindicates the nationality of American money by directly and absolutely demonetizing the gold and silver coins of all other nations, which comprise, with the exception of the inappreciable percentage in use in this country, the total sum of the precious metals—the so-called money of the world. The sections are as follows:—

Sec. 3584. No foreign gold or silver coins shall be a legal tender in payment of debts.

Sec. 3585. The gold coins of the United States shall be a legal tender in all payments at their nominal value when not below the standard weight and limit of tolerance provided by law for the single piece, and when reduced in weight below such standard and tolerance, shall be a legal tender at valuation in proportion to their actual weight.

Sec. 3586. The silver coins of the United States shall be a legal tender at their nominal value for any amount not exceeding five dollars in any one payment.

Sec. 3587. The minor coins of the United States shall be a legal tender at

It is purely a national and local institution, the crucial test of which is, is it legal tender? This is the question by which we decide whether gold or silver, coined or uncoined, is money or a merchantable commodity. By this test we ascertain whether circulating paper is money or merely evidence of debt to be liquidated at some day by the payment of money or the delivery of commodities equivalent in value to the amount of money named. This is a simple proposition, easily understood and remembered. But let me illustrate it. For nearly five hundred years, until the armies of Bonaparte entered Venice, the credits of the Bank of Venice had been the money of that thriving commercial State. Gold and silver, through that succession of centuries, were at varying rates of discount below the credits of the Bank of Venice, and so high did the premium upon the credits of the bank become, when either gold or silver was exchanged for them, that the government, when the premium ranged at 32 per cent., provided by law that it should be a crime to demand, pay, or receive more than 20 per cent. premium in gold or silver upon the credits of the bank.* In London, during the financial crisis of 1847, we have it upon the testimony of Mr. Thomas Baring, of the banking house of Baring Brothers & Co., that not a pound of money, either paper resting upon the British debt or gold (for both were money), could be borrowed on sixty thousand pounds sterling of silver stamped with the mint stamp. What! not borrow a paper bank note for £5, based on the debt of England, on three hundred thousand dollars of silver fresh from the British mint? No, and why? In financial crises the thing men want is money—that which everybody must receive in payment of debt or forever

their nominal value for any amount not exceeding twenty-five cents in any one payment.

SEC. 3588. United States notes shall be lawful money, and a legal tender in payment of all debts, public and private, within the United States, except for duties on imports and interest on the public debt.

SEC. 3589. Demand Treasury notes authorized by the Act of July 17, 1861, chap. 5, and the Act of Feb. 12, 1862, chap. 20, shall be lawful money, and a legal tender in like manner as United States notes.

SEC. 3590. Treasury notes issued under the authority of the Acts of March 3, 1863, chap. 73, and June 30, 1864, chap. 172, shall be legal tender to the same extent as United States notes for their face value, excluding interest: Provided, That treasury notes issued under the Act last named shall not be a legal tender in payment or redemption of any notes issued by any bank, banking association, or bankers, calculated and intended to circulate as money.—*Revised Statutes of the United States*, title 39, page 712.

* For a history of the Bank of Venice, see Colwell's *Ways and Means of Payment*, ch. xiii., 2d ed. Phila. 1860. Bishop Berkeley published *The Querist* in 1735. Questions 291, 292 are "Whether the wise State of Venice was not the first that conceived the advantage of a national bank?" "Whether the great exactness and integrity with which this bank is managed be not the chief support of that republic?"

thereafter forego all claim of interest thereon. What men want in such seasons of panic and distress is that which will pay a note in bank, will meet the exactions of government, will avert the sacrifice of homestead, warehouse, or other property by sheriff's or marshal's sale, which being money, will when tendered in payment, arrest such proceedings. In England silver was money to the amount of forty shillings and no more, and the great merchants of London had not measured their debts by sums of forty shillings; they wanted thousands and tens of thousands and hundreds of thousands of pounds, and he who owned it could not borrow £5 on $300,000 worth of silver, which not being legal tender, was merchandise, as are sewing machines, or bales of cotton or wool. Again, in Calcutta, during the commercial crisis of 1864, it is a well authenticated fact that a man with £20,000 of gold—$100,000 of mint-stamped gold—went to protest because he could not borrow a rupee upon it, though a rupee is the equivalent of less than forty-four cents American money. It was a financial crisis; merchants and bankers wanted money, and the money of India was silver, and bars of gold that would have been so acceptable in London were like bars of silver there—simply merchantable commodities.

Other forms of currency are in familiar use in commercial countries. Promissory notes, drafts, bank checks, bills of exchange, and bank notes, in all quiet and prosperous times, perform for society the usual functions of money. But they are the shadow of money; they are pledges of individual or corporate credit; promises that when the time comes that the money they represent shall be demanded, it shall be forthcoming. Therefore we must carry with us the distinction between money and currency. Again, in further illustration, let me refer to China. I have often heard it said, and believe it—perhaps because I have heard it so often—that the notes of the Bank of the United States were frequently at a premium over gold in China. Some of these venerable merchants who do me the honor to hear me may know the fact better than I do. But this I do know, upon the information of a New England merchant of rare intelligence and high character, that believing gold was everywhere money, he carried a large number of American $10 pieces to China in 1856, and that he stood a discount of 16 per cent. before he could convert the gold eagles of America into the silver dollars of Mexico, which were the medium of trade in China, though not formally declared a legal tender.

The Financial History of Germany.

Have you studied the recent financial history of Germany? It is pregnant with illustrations of the propositions we are consider-

ing. Upon the 1st of January, 1876, the silver of Germany was to be demonetized, and become a commodity even in the German market; as if to make a grand example, and illustrate the truth in this period, when the financial question is paramount throughout the commercial world, Germany, that was to have been ravaged by the armies of France, but which turned back the tide of war, rendered valueless the maps we had procured that showed the cities, towns, rivers, and highways of Germany, that we might follow the conquering army as it moved in triumph toward Berlin; and made a demand for maps of France, that we might follow the armies of Germany as they ravaged the fields of France, and took possession of Paris. Discordant Germany had been unified and built into greatness by two causes. One was that Frederic List,* the long-ago friend of my dear friend and teacher, Henry C. Carey, having returned from Pennsylvania to his native land, succeeded in effecting the establishment of the Zoll Verein, which permitted free trade between the various German States, and by protective duties shut out the results of cheaper foreign labor. Prior to that time there was nothing a German king, prince, or baron would rather sell than a contingent of men to fight on either side in any war. Germany exported raw materials and bought manufactured fabrics and commodities. She was derided, as England had been before she established and enforced the policy of protection, for selling the skin of a fox for a sixpence, and buying back its tail, when dressed, for a shilling! But under the protective system inaugurated with the Zoll Verein, the petty principalities grew together as States. German industry improved. An educational system was established. The value of man increased. Germany became a great exporter of manufactured goods, and while Great Britain and the United States suffered commercial crises, Germany was undisturbed by them. Why? Because the protective policy had enabled her to export more than she imported, and her money was silver, a commodity that the great commercial nations, which use gold, did not want as much as they did her wares, so that they left her worn thalers and other abraded silver coins to perform the functions of money and facilitate domestic exchanges. By virtue of the protective system and the use of this almost inexportable money, Germany grew in the course of time to be the great empire of the continent, and having driven generals and Emperor before them, her armies settled down in Paris, and demanded five milliards as a war fine from France for the temerity she had exhibited in challenging her

* Author of *National System of Political Economy.* Translated from the German by G. A. Matile, with notes by Stephen Colwell, Philadelphia, 1856.

to the combat. Humiliated France must pay what was demanded, for the country and its capital were in the keeping of the triumphant enemy. She did pay, and thereupon Germany offered herself as an example and a warning to other nations; for, believing that as she had got the gold of France, she was rich and powerful enough to challenge the world to financial and industrial competition, she turned her back upon one of the special sources of her prosperity, and a cold shoulder to the other. She ordained the demonetization of silver and the establishment of a system of gold coin as legal tender from and after the 1st of January, 1876.* She also followed up the policy, inaugurated a few years before, of commercial treaties, by which the goods of certain nations were to be admitted for a given period of time under duties that were not protective.† The government, to promote the success of its new silver monetary system, gathered up the current silver money, and, what it did not recoin, sold as a commodity by the ton at from 5 to 8 per cent. below its old nominal value. The people hastened to relieve themselves of it.‡ But more than this, all banks that had been issuing small

* Although gold is the standard from and after January 1, 1876, thaler and two-thaler pieces are still temporarily allowed to circulate as legal tender. There are variously estimated to be of these and of other old silver coins in circulation from $100,000,000 to $150,000,000. The government must be prepared to redeem these the moment it declares them to be no longer legal tender above $5. To do this, says the London *Economist*, "it is evident that the German government is accumulating a considerable sum of gold." These accumulations, as will be seen further on, are made very largely at the expense of the German people, and are a measure of severe contraction. While to December 4, 1875, 1,250,445,920 marks = $312,611,230 of new gold coins had been coined — how much had been issued is not stated — it was several months since estimated that from $75,000,000 to $100,000,000 had then been exported or melted.

† The excess of the imports of merchandise into Germany over and above the exports, from 1870 to 1874 inclusive, under the Manchester system of free trade, is stated by the Bavarian *Vaterland*, as quoted in *Lippincott's Magazine*, December, 1875, p. 773, as follows:—

1870	thalers	68,000,000
1871	"	185,000,000
1872	"	313,000,000
1873	"	500,000,000
1874	"	484,800,000
	thalers	1,550,800,000
		$1,132,000,000

‡ At the end of October, 1875, 324,990,453 marks ($81,250,000) worth of small coins had been withdrawn, and on the 27th of November but 176,019,286 marks ($44,000,000) of new small coins had been coined; resulting, therefore, in a contraction of $37,250,000.

notes, were to withdraw those notes, and there was to be an Imperial Bank of Germany, and no notes for a less sum than 100 marks, £5, or $25 were to be issued.* What were the results of the experiment? Money became scarce throughout the empire; private credit expanded, as it always does when money is withdrawn from circulation or greatly reduced in amount; foreign goods were purchased with inflated private- and bank-credit, and native industry was paralyzed.

The London *Morning Post* of October 23 had a Berlin despatch of the 22d saying "the depression of trade is felt so keenly by the industrial classes that the government has been requested, as a means of preventing acute distress, to resort to the measure successfully adopted in the last two wars, namely, the establishment of loan banks. The government has not as yet shown much inclination to accede to the request. Serious distress is anticipated among the industrial working classes during the coming winter, and apprehensions are also entertained of a crisis in financial circles."

On the 26th day of October, a few days later, the Vienna correspondent of the London *Economist* said:—

"In Germany there is still great depression of business, indeed almost more than in Austria. A list of prices of the safest railway and bank shares and debentures shows a loss of more than £18,000,000 ($90,000,000), since the 1st of January. In commercial circles there is again a cry for loan banks, such as were of good service during the time of war, 1870–71. But as these loan banks had a right of issuing notes, there is little hope or none that their institution can be granted, the present law forbidding all extra issue of notes."

The Berlin correspondent of the London *Times* is quoted by the *Nation* of November 25, about a month later, as follows:—

"The Berlin correspondent of the London *Times* draws a somewhat dismal picture of the commercial outlook in Prussia during the coming winter. Prices are high, business dull and declining, failures numerous, and money under the new banking law very tight, and the number of unemployed large and increasing."

The Berlin correspondent of the *New York Tribune*, writing under date of Dec. 8, 1875, says:—

"A paragraph in recent files of the *Tribune* shows me that the monetary situation in Germany is attracting attention in America.

* The amount of these notes in circulation on January 30, 1875, the date on which the act establishing the Imperial Bank was passed, was $134,000,000. By the end of October over $114,000,000 of this circulation had been withdrawn, although this amount had to some extent been substituted by notes of higher denominations; the actual net contraction being, however, $59,500,000.

This is highly desirable. There are not many points of essential resemblance between the troubles that now afflict us and those which vex the souls of people in the United States, but there is value even in contrast. You suffer from too much, we from too little, circulating medium.* Your inflationists are trying to argue the country out of the necessary fortitude for the resumption of specie payments; our government is practising an actual contraction before introducing a uniform gold standard throughout the Empire. The experiment on the popular patience is, therefore, not unlike that required of the American people, and it is interesting to see how it is made and borne in this land of prudent finance.

* * * * * The experience of England and France was in favor of confining bank issues to notes of large denominations. That principle being adopted, two things became necessary—the retirement of the small bank-notes and the issue of a corresponding supply of gold and silver coin. In the course of time, however, it appeared that, in spite of the gold received from the French indemnity, the supply of the precious metals was not equal to the extraordinary demand, and to-day we are at our wits' end for small change—in fact, for currency of any sort. Although the Bank of Prussia, which is now become the Imperial Bank, has been steadily raising the rate of discount, which has been as high as seven per cent., it cannot satisfy the public demands for money. In the mean time the purchase of gold at London and elsewhere for recoining goes steadily forward and the mint is actively at work; but it will be many weeks, not to say months, before the currency once more reaches a sound basis. As you already know, the government has fixed on January 1, 1876, for the simultaneous introduction of the gold standard. The complaints from trading people in this crisis are loud, and, what is more, they are well grounded."

One might think that some satirical writer was palming off a description of our country as illustrative of the effects produced in that country by the contraction of the money of Germany; but the identity of the condition of the trade and the bankruptcy and want the people of both are suffering result from the same cause—the sudden and arbitrary reduction of the money (the tool of trade, and making commerce and trade subordinate to that tool) by the government of each country.†

* Oh! Can it be possible that this indeed be so? Do almost identical effects in chemistry, mechanics, or political economy ever follow from diametrically opposite causes, or is it only that the philosopher who here attempts to interpret the cause from the effect, is at fault? Both the United States and Germany are to-day furnishing new and sad examples of the old, old story of the quackery of lawmakers, subordinating commerce to one of its instruments—money; exalting the servant above his master.—Baird.

† When in 1871 the treaty of peace was made which obliged France to pay to Germany $1,100,000,000 as a war fine, the German government assumed that Germany was about to receive substantially this amount in specie and

The Example of France.

Turn now to France—vanquished and at the feet of her conqueror—unable even to propose modifications of offered terms—compelled to acquiesce without protest in whatever the conqueror might dic-

bullion. The German people thought the same, and, being enterprising, at once embarked in all kinds of industrial, mercantile, and financial operations. But what, however, has been the actual result? Only a small portion of this fine was paid by the transfer of money to Germany. The French government itself directly remitted but $100,000,000 in gold and silver, and the largest estimate of the total amount of specie in all sent from France for the purpose of payment is less than $240,000,000.[1] The bulk of the payments

[1] The French official returns show that the exports of gold and silver from France to Germany have been as follows:—

		Gold.		Silver.
1871	frcs.	111,045,410	frcs.	62,440,380
1872	"	8,537,710	"	64,916,220
1873	"	170,498,760	"	146,935,420
1874	"	878,400	"	605,952
	frcs.	290,960,280	frcs.	274,897,972
Total gold and silver.			frcs.	565,858,252
				$113,171,650

*** The above amount is doubtless exclusive of the direct remittance by the French Government of $100,000,000, not entered at the Custom House.

The imports of gold and silver into France from Germany have been as follows:—

		Gold.		Silver.
1871		none		none
1872	frcs.	16,997,300	frcs.	54,674,200
1873	"	8,394,800	"	76,479,200
1874	"	16,508,800	"	194,654,300
	frcs.	41,900,900	frcs.	325,807,700
Total gold and silver.			frcs.	367,708,606
				$73,541,720

Amount of exports in excess of imports January 1, 1871, to December 31, 1874, $39,629,930. The returns for 1875, when they come to hand, will doubtless show that France has drawn almost, if not quite, all of this balance from Germany, her net import of specie from the rest of the world for eleven months, over and above export, being 560,587,508 francs, equal to $112,000,000.

The exports of gold and silver from Great Britain (which temporarily took some of the French loans which have since been absorbed by France) to Germany have been as follows:—

1871	£11,580,170
1872	9,398,225
1873	7,542,282
1874	249,088
1875, January 1, to November 30, inclusive	5,494,313
	£34,264,078
	$166,523,419

tate. This was her condition at the close of the war in 1871, but where stands France to-day? The only prosperous nation in the commercial and manufacturing world! She has recalled her gold from Germany; she has ruined its industries, bankrupted its merchants and capitalists, reduced to pauperism its hitherto thrifty laboring people; vanquished in war, she is peaceably avenging herself by the wisdom of her statesmanship.* Do you ask what is the secret of her power? Colbert and all her great statesmen, from his day to those of the great Napoleon and President Thiers, have understood that two things are necessary to sustain the power of an empire—a cheap medium of domestic exchange, stable in its character, and inexportable, at least for the tokens that are to circulate among the people in their hourly exchanges, and that when war compels, as a great war always does compel, the suspension of specie payments, there must never be a hurry to get rid of the inconvertible currency then emitted until, in the course of trade, gold and silver have flowed in to supply the place of each note as it is withdrawn. At the beginning of the war and during its progress, France authorized the bank to suspend specie payments, and required it to

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were made by the French government in bills of exchange, many of which were drawn against exports of merchandise to Germany and other countries. Of the actual money paid to the German government *much the larger portion came from the German people*, and for which they only received foreign merchandise. This money has more or less of it been locked up in the imperial treasury or in the German mints, and the immediate effect of the payment of the fine was therefore to the German people rather one of contraction than of expansion.—BAIRD. *The Crime of Incompetent Governorship as illustrated by the Recent Financial and Monetary History of Germany.* Philadelphia, 1875.

* I submit the confident prediction that the day is at hand when the nations will recognize the fact that the most effective mode in which one nation can war upon another, is not by shot and slaughter—not by killing its people, but by destroying its industries. The present relative conditions of France and Germany, the first a victim only of invading armies, the last of the policies which destroy industries, prove the superior efficiency of the latter as a means towards the great end which governments have in view in war—ruin!—W. D. K.

Imports of gold and silver into Great Britain from Germany:—

1871	£2,106,767
1872	1,665,133
1873	543,457
1874	2,437,074
1875, January 1, to November 30, inclusive	1,376,631
	£8,129,062
	$39,507,241

Amount of exports in excess of imports, January 1, 1871, to November 30, 1875, $127,016,178.—BAIRD.

issue $602,000,000 in inconvertible bank notes.* Let me pause just here and say a few words to that school of economists that Napoleon banished from France, or suppressed. I do not know whether you are all aware of the fact, that, when Say, Frenchman as he was, undertook to publish his Political Economy in 1803, Napoleon prohibited it, saying that "if the Empire were made of adamant the economists would grind it to powder." He would have none of their "science based on assumptions." They would have taught his people that the paper money which sustained his armies was not money; they would have bred discontent; they would have introduced free trade into France, and deprived his people of employment. He was then trying to establish the manufacture of beet-root sugar, to improve that of silk, to introduce the new industries of the day as fast as science and labor could be organized to institute and promote them. France, I say, issued in 1870–72 $602,000,000—3,010,000,000 francs—of inconvertible bank paper. It did not inflate prices, but it did demonstrate the absurdity of the dogmas of the political economists. One of the first axioms touching currency they lay down is that an irredeemable paper currency banishes the precious metals; that you cannot keep gold or silver in a country that makes its domestic exchanges with inconvertible paper money.† If you cannot, all I have to say is that France is a great fraud, and ought to be punished by divine wrath for violating economic laws; for starting with no gold or nearly none in the public treasury, with the great war fine before her, with $602,000,000 of inconvertible bank paper, she kept all her industries employed; and the bank which issued the irredeemable paper, of which $475,000,000 are still in circulation, holds in her vaults to-day $333,000,000 of gold and silver. The highest sum the Bank of England has ever reported was $133,000,000; yet France, while inconvertible bank-notes are circulating, aggregates in her bank vaults $333,000,000; and what is more, gold and silver never rose to a greater premium than three per cent. I see before me a gentleman who, when in Switzerland in the summer of 1874, wanted to purchase with the inconvertible notes of the Bank of France some gold for special purposes. He expected to pay the American rate

* The circulation of the Bank in June, 1870, just before the war with Germany, had been but $275,000,000.

† In support of this ridiculous fallacy see the works of Say, Ricardo, J. Stuart Mill, and Profs. Wayland, Summer, Perry, and Amasa Walker's Science of Wealth, and the writings of other teachers who think that Bacon was a fool for attaching so much importance to facts, and sneer at his ablest disciple, Henry C. Carey, because he accepts the logic of events when it contradicts their assumptions.

of premium for the gold. He was beyond the borders of France; in a foreign country; yet he bought gold at a premium of less than one per cent. on the inconvertible notes of the Bank of France. While $475,000,000 of those notes are still in circulation, and creditors cannot compel the bank to pay one dollar of them, it is perfectly indifferent whether it pays them gold, silver, or its own notes. The metallic and the paper currency circulate entirely coincidently. France has supplied herself with metallic money by the use of inconvertible paper, as we Pennsylvanians did in a memorable era of financial and commercial depression.*

Pennsylvania in 1841.

Let me recall to your minds the condition of Pennsylvania in 1841.. We were without money. The State was not only unable to pay the interest on her debt, but to pay the laborers on the public works for days' work done. Our corporations were bankrupt. Our merchants, after the long fight between the government and the U. S. Bank, which began in 1834 (I may say in 1832), were in as bad a plight. The productive industries of the State were suspended; the people were in despair, and Sydney Smith was indulging his finest wit at the expense of the broad-brimmed Quakers of Pennsylvania, who did not pay the interest on their bonds. What did we do in this extreme exigency? How did we get gold? for it did come to us. The State of Pennsylvania, in flagrant violation of the Constitution of the United States, issued $3,100,000 of what were called "relief notes."† That they were unconstitutional no man doubted. They were "bills of credit," issued by a State, through the shallow device of directing banks to issue them.

* The policy pursued by the French Government and the authorities of the Bank of France since the war has not been wholly commendable, not wholly unlike that of Mr. McCulloch and other pretenders to true and sound financial knowledge. The result too threatened at one time to be equally fatal. Under the administration of M. Magne as finance minister, the circulation of the Bank was contracted from $602,000,000 October 30, 1873, to $495,000,000 June 25, 1874. But M. Magne was, providentially for France, succeeded in office by M. Bodet, July, 1874. Under the administration of this minister, and of that of M. Leon Say, the contraction from June 25, 1874, to December 23, 1875, has been but $20,000,000, and the circulation on the latter date stood at $475,000,000. But between January 1, 1874 and November 30, 1875, France had made a net gain of specie by import of $270,000,000, or $143,000,000 in excess of the contraction of the circulation of the Bank between October 30, 1873, and December 23, 1875. NOTE, Feb. 12, 1876. Since the foregoing was put in type, the statement of the Bank for January 27, 1876, has been received. On that date the circulation had been expanded to $501,000,000.

† Act of May 4th, 1841.

They promised no gold or silver. They did carry the promise that they would be received by the Treasury of the State in payment of all taxes and other obligations due to her. No other means or process of redemption was indicated. There was no money, and no trade or labor, because there was no medium of exchange with which to purchase labor. These unconstitutional promises were taken greedily by the people. Banks inserted in the front of the books of depositors an agreement that the depositor should receive on check the same kind of money he deposited, and then took these notes. They discounted paper with them. The wheels of industry were set in motion by these notes, which promised nothing but that they would be received in payment of State taxes. The State paid her domestic creditors, and these hastened to pay theirs or to supply their wants by purchase. Crops, for which there had been no market, were moved, the loom and the spindle were again heard; laborers, lifted from despair, found work and wages, and with the great resources of Pennsylvania under full and free development, she was soon exporting more than she imported. Gold and silver flowed in upon her in settlement of the balance of trade, and the broken banks resumed specie payments. We then did what France always does in such emergencies; we were wise enough then to know that it is labor, not coin, that maintains the public credit and gives prosperity to the people.*

The way the U. S. Senate increased the Value of Gold.

Why is it that the greenback, the Treasury note, the paper money, which is constitutional, and has been so adjudicated by the Supreme Court of the United States, which pledges the resources of this great nation, from the granite rocks of Maine to the golden sands of San Diego, so that every farm, every factory, every interest of every American citizen stands behind every note—why is it, I ask, that though gold never rose to a premium of over three per cent.

* An overruling necessity, such as the whole American people will be under in this Centennial year, if the act providing for the resumption of specie payments be not repealed during this session of Congress, compelled the passage of the relief law referred to. Had they needed philosophic theory to induce such action as they took, the members of the Legislature could have found it in 21 and 23 of Bishop Berkeley's Querics, which are as follows: "Whether other things be given, as climate, soil, etc., the wealth be not proportioned to the industry, and this to the circulation of credit, be the credit circulated or transferred by what marks or tokens soever?" "Whether money is to be considered as having an intrinsic value, or as being a commodity, a standard, a measure, or a pledge, as is variously suggested by writers?" "And whether the true idea of money, as such, be not altogether that of a ticket or counter?"

above the notes of the Bank of France, it has at times been 180 per cent. above greenbacks, and is now about 13 per cent.? Have we less faith in our government and the resources of our country than the people of France have in theirs? Is not ours the only nation that has ever paid off a national debt? Has it not done this twice? Have we less confidence in our government than the people of France have in the Bank of France? No, no; no man can believe that. When the fate of the nation was at stake a million of her sons rushed to the front, and if need be to the grave, to maintain her honor and her integrity. Their sense of her power, her greatness, and the beneficence of her institutions, was such that they said gladly: "Let us die that the country may live!" Why, then, is it that we are a spectacle of derision before the world, because of the disparity between our national money and gold? My friends, it is a sad story.

The House of Representatives passed the bill establishing a national currency, providing for the issue of the greenback and making it full legal tender. That grandest statesman I have met in my fourteen years of congressional life—old Thad. Stevens—was at the head of the Committee on Ways and Means. He had studied, in all its bearings, the question of French finance. He was familiar with Franklin's advice to the Continental Congress. The part he took in the debate exhibited not only his marvellous powers, but his perfect familiarity with the history and details of the great and intricate subject. He pointed to the fact that when France issued inconvertible paper, she made it legal tender, public and private; received it in payment of all dues to the government, and paid it to all creditors, whether bondholders or otherwise; and that consequently, under a reign of inconvertible bank paper, there could never, under the French system, be a demand for gold.* He desired

* This policy had been followed with marvellous results in the midst of the Revolution of 1848, as follows:—

Efficacy of the French plan of remedying a drain of specie, namely—by simply declaring *bank notes* to be *legal tender:* as depicted in the following extract from the London *Times*, of the 16th February, 1849:—

"As a mere commercial speculation, with the assets which the bank held in its hands, it might then have stopped payment, and liquidated its affairs with every probability that a very few weeks would enable it to clear off all its liabilities. But this idea was not for a moment entertained by M. D'Argout, and he resolved to make every effort to keep alive what may be termed the *circulation of the life blood* of the community. The task was overwhelming. Money was to be found to meet not only the demands on the bank, but the necessities, both public and private, of every rank in society. It was essential to enable the manufacturers to work, lest their workmen, driven to desperation, should fling themselves amongst the most violent enemies of public order. It was essential to provide money for the food of Paris, for the pay

that we should avail ourselves of her experience and follow her example. He saw that by that process France kept her debt at home; and when she paid the interest on it she handed the money back to the people from whom she had drawn it through her various modes of taxation; that thus she enriched her own people, and confirmed their patriotism by the debt the government owed them. The bill passed the House of Representatives, the chief agents in the work being Messrs. Stevens and Spaulding. They were unquestionably the two most intelligent men on that question in the House. The bill went to the Senate, which is a small body,* and, unhappily, is not always the most intelligent assemblage in the

of the troops, and for the daily support of the *ateliers nationaux*. A failure on any one point would have led to a fresh convulsion. But the panic had been followed by so great a scarcity of the metallic currency, that a few days later, out of a payment of 26 millions fallen due, only 47,000 francs could be recovered in silver.

"In this extremity, when the bank alone retained any available sums of money, the government came to the rescue, and, on the night of the 15th of March, the *notes of the bank* were by a decree made a *legal tender*, the issue of these notes being limited in all to 350 millions, but the amount of the lowest of them reduced for the public convenience to 100 francs. One of the great difficulties mentioned in the report, was to print these 100 franc notes fast enough for the public consumption—in ten days the amount issued in this form had reached 80 millions. No sooner was the Bank relieved from the necessity of paying away the remnant of its coin, than it made every exertion to increase its metallic rest. About 40 millions of silver were purchased abroad at a high price. More than 100 millions were made over in dollars to the treasury and the executive departments in Paris. In all, taking into account the branch banks, 506 millions of five-franc pieces have been thrown by the bank into the country since March, and her currency was thus supplied to all the channels of the social system.

"Besides the strictly monetary operations the bank of France found means to furnish a series of loans to the Government—50 millions on exchequer bills on the 31st of March, 30 millions on the 5th of May, and on the 3d of June, 150 millions, to be paid up before the end of March, 1849; of this last sum only one-third has yet been required by the State. The bank also took a part in the renewed loan of 250 millions, and made vast advances to the City of Paris, to Marseilles, to the department of the Seine, and to the hospitals, amounting in all to 260 millions more. But even this was not all. To enable the *manufacturing* interests to weather the storm, at a moment when all the sales were interrupted, a decree of the National Assembly had directed warehouses to be opened for the reception of all kinds of goods, and provided that the registered invoice of these goods, so deposited, should be made negotiable by endorsement. The Bank of France discounted these receipts. In Havre alone 18 millions were thus advanced on *Colonial produce*, and, in Paris, 14 millions on *merchandise*—in all, 60 millions were thus made available for the purposes of trade. Thus, the great institution had placed itself, as it were, in direct contact with every interest of the community, from the Minister of the Treasury down to the trader in a distant outport. Like a huge hydraulic machine, it employed its colossal powers to pump a fresh stream into the exhausted arteries of trade, to sustain credit, and *preserve the circulation from complete collapse.*"—*The Bank Charter Act and the Rate of Interest*, London, 1873. pp. 123–5.

* At the date referred to but twenty-four States were represented, and the Senate consisted of but forty-eight members, a majority of whom being a quorum, were competent to legislate.

world, and being very much pressed, is sometimes seduced by plausible arguments put forth by men of great respectability, such as bank presidents and dealers in national securities. It sent back the bill with amendments providing that the interest on the 5-20 bonds should be paid in gold, and that in order to accumulate gold with which to pay the interest on these bonds, all duties on foreign imports must be paid in gold. The House refused to concur, and appointed a committee of conference, with Mr. Stevens as its chairman. They contested the matter until further contest was in vain. I remember the grand "Old Commoner," with his hat in his hand and his cane under his arm, talking to myself and another, when he returned to the House after the final conference, and shedding bitter tears over the result. "Yes," said he, "we have had to yield; the Senate was stubborn. We did not yield until we found that the country must be lost or the banks be gratified, and we have sought to save the country in spite of the cupidity of its wealthier citizens." The bill went through, but not until he had expressed to the House and the country his fears.

Thaddeus Stevens' Warning.

That crime perpetrated by the Senate of the United States, or that blunder worse than a crime, has cost the American people more than all the war would have cost had the House bill been adopted as originally passed. That crime, or blunder, called into existence the gold room of New York; it invited from all the money centres of the world their most voracious vampires to come and fatten upon the life-blood of the American people. It converted commerce into a mere system of gambling, and made such creatures as Jay Gould and Jim Fisk possible in American history. Do I speak too severely? If I do, I will summon a voice from the grave to temper my severity. I have here the *Congressional Globe*, in which I find the following remarks, made February 20, 1862, by Thaddeus Stevens, chairman of the committee of conference on the disagreeing votes of the two Houses on the Treasury note bill.* In submitting the report he said:—

"Mr. Speaker, I have a very few words to say. I approach the subject with more depression of spirits than I ever before approached any question. No personal motive or feeling influences me. I hope not, at least. I have a melancholy foreboding that we are about to consummate a cunningly-devised scheme which will

* The Act was approved Feb. 25, 1862, and entitled An Act to authorize the issue of United States notes, and for the redemption or funding thereof, and funding the floating debt of the United States.

carry great injury and great loss to all classes of the people throughout this Union except one. With my colleague, I believe that no act of legislation of this government was ever hailed with as much delight throughout the whole length and breadth of this Union, by every class of people, without any exeeption, as the bill which we passed and sent to the Senate. Congratulations from all classes—merchants, traders, manufacturers, mechanies, and laborers—poured in upon us from all quarters. The Boards of Trade from Boston, New York, Philadelphia, Cincinnati, Louisville, St. Louis, Chicago, and Milwaukee approved its provisions and urged its passage as it was. I have a dispatch from the Chamber of Commerce of Cincinnati, sent to the Secretary of the Treasury, and by him to me, urging the speedy passage of the bill as it passed the House. It is true there was a doleful sound came up from the caverns of the bullion brokers and from the saloons of the assoeiated banks. Their cashiers and agents were soon on the ground, and persuaded the Senate, with but litte deliberation to mangle and destroy what it had cost the House months to digest, consider and pass. They fell upon the bill in hot haste, and so disfigured and deformed it that its very father would not know it. Instead of being a beneficent and invigorating measure, it is now positively mischievous. It has all the bad qualities which its enemies charged on the original bill, and none of its benefits. It now ereates money, and by its very terms declares it a depreciated currency. It makes two classes of money—one for the banks and brokers, and another for the people. It discriminates between the rights of different elasses of creditors, allowing the rich capitalists to demand gold, and eompelling the ordinary lender of money on individual seeurity to reeeive notes which the government had purposely diseredited."

The government refused to make its notes full legal tender, and therein refused to impart to them the full charaeter of money, while compelling the American people to use them as sueh. In these remarks Mr. Stevens spoke as a philosopher and a prophet. Let me quote his words at a day somewhat later, when he spoke as historian. On the 19th of December of the same year he said:—

"It is known to this House, that I do not approve of the present financial system of the government. When this Congress assembled a year ago. all the banks of the Union, as well as the government, had suspended specie payments. The last $50,000,000 of loan, which had been taken by the banks at a discount of $5,500,000, payable in coin, was no longer paid in anything but the currency of suspended banks. The immense expenses of the government (from $2,000.000 to $3,000,000 daily) were to be provided for. It was impossible to negotiate loans except at a ruinous discount. The committee of ways and means were expected to provide the means without any suggestions from any quarter to aid them. After eareful deliberation, the committee, or rather, as it turned out, the one-half of them, determined to inaugurate a system of national eurreney consisting of legal-tender notes, receivable in all transactions between individuals, and between individuals and the government,

and convertible into bonds of the United States, bearing six per cent. interest, payable semi-annually in lawful money, and redeemable in twenty years in gold or silver coin. The issue of $150,000,000 of such notes was authorized, and of $500,000,000 of twenty years' bonds."

I want you to observe, as I proceed, that Mr. Stevens declared that the issue of $150,000,000, while performing all the functions of trade, would serve to absorb the whole $500,000,000 of bonds. If you do not understand how that was to be done, you will probably comprehend it before I get through.* Let me read further from Mr. Stevens:—

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* The expenses of the government reached about two million for every secular day for about two years. The loans, of course, amounted to the same, excepting the revenue from import duties, which, for the sake of simplicity, we leave out of present view. It is entirely to the daily transaction that our attention is to be directed. That transaction consisted of two parts: first, of the payment into the national treasury of two million of dollars; second, of the payment out of the treasury, for expenditures, of precisely the same amount. On some days there might be more paid in and less paid out; but in the long run the amount of disbursements was equal to the receipts, and it simplifies the case to reduce it to the daily average. The result, then, is, that one set of people paid the two million of currency into the treasury, and it was immediately paid out on the same day to another set of people. And this is an advantage to both parties; for the presumption is that those who pay in have more currency than they want for any immediate purpose, and those to whom it is paid out have less than they want. It goes from the latter into the hands of laborers, tradesmen, and artisans. That is to say, that the organization of the loan of two million has not taken any money out of the use of the markets. It has not absorbed one penny of capital. We have only to repeat this transaction six times a week, and may do it with the same two million of currency, to organize twelve millions of the debt; and continued through the year, it would organize six hundred and twenty-four million. Let us reduce the transaction to a still lower amount. If we divide the two million into twenty parts, one hundred thousand dollars of currency will be sufficient to organize the whole by repetition of service. We have only to suppose that each one of twenty subscribers has a demand of one hundred thousand dollars against the government, and is desirous to invest his money in the bonds as soon as he receives it. The arrangement for the sale of the bonds secures this exact result, for it is of no consequence who takes the bonds, nor whether the money employed consists of the same bank-bills in each round of service. The material facts are that the bonds are taken; that no more than one hundred thousand dollars of currency is in use at any one time to effect the negotiation; and that, when the negotiation is complete, the currency is liberated, and mingles in the general mass of the circulation. This example shows with precision what office the currency performed in the organization of our public debt. It was that of the hammer which the carpenter uses to nail shingles on the roofs.—*The Public Debt of the United States*, by J. S. Gibbons, pp. 49 *et seq.*, N. Y. 1867.

"The system was simple in its machinery, and easily understood. It formed a uniform currency, sustained by the faith of the government, and furnishing but one currency for all classes of the people. It was believed that as the legal-tender notes accumulated in the hands of bankers and capitalists, they would invest them in six per cent. bonds, so as to realize a profit from their capital. The instinct of avarice or gain would never allow them to remain long idle. This conversion and reconversion would have absorbed the $500,000,000 within the fiscal year, and supplied all the wants of the government.* So long as the legal-tender notes remained unconverted, the government would have had the benefit of the circulation without interest. This was the plan of the committee. The currency has proved the most acceptable ever offered to the people. This was the condition of the bills as presented originally, and as they passed the House. But the simplicity and harmony of this system were doomed to be mangled and destroyed as it passed through the Senate. They began by making two kinds of currency for the same community—a fatal mistake wherever it occurs. They provided that the bonds issued as above stated should receive the interest in gold, while the interest of all other bonds should be payable in legal-tender notes, thus producing at the outset a depreciation of the United States notes, and creating a demand for gold to be taken advantage of semi-annually by bullion-mongers. Without such provision there would have been no demand for a single dollar of gold to be used in this country. If merchants wished to import goods beyond our exports, and that required gold, I should feel but little sympathy for them, whatever premium they were obliged to pay. Being unable to defeat this provision, I procured to be inserted a section making the duties on imports payable in gold. This was to enable the government to meet the payment of interest in coin. That had one good and one bad effect. It increased our tariff some thirty per cent., but it compelled our merchants to go among the Shylocks to purchase coin to pay their duties. These combined provisions form a mine of wealth for brokers and bankers. The duties and interest will require $60,000,000 of gold annually, and soon double that amount. Now, our banks and brokers have scarcely that amount on hand. They may put the price as high as they please, it must be paid. Suppose the banks in our three great commercial cities to have just that amount. If half yearly they sell the half of it to the government and merchants at 30 per cent., using the other half to the end of the year, and then selling it, they would clear, by this single operation, 30 per cent. on their capital, and have all the profits of loans, on deposit, and currency circulation besides. The gold would return to their vaults, possibly, by the payment of interest on the very bonds they held themselves, and so to be ready for the same operation at the next semi-annual payment, doubling their capital in three years. If a financial system which produces such results be wise, then I am laboring under a great mistake."

* By this process the unemployed balances of the people would, in a few years, convert our whole bonded debt into 3.65 interconvertible bonds, and release us from foreign indebtedness.

"Money of the World."

But I think I hear somebody ask: "Were not Mr. Stevens's notions visionary? How would we have settled international balances if his proposition had been adopted? Did he mean to ignore the money of the world?" I have told you that money is a national institution. There is no "money of the world." There never was a "money of the world." There never can be a "money of the world," until all people and all nations shall be under one government which shall declare what is legal tender. "No money of the world," you exclaim? "Is not gold the money of the world with which international balances are settled?" No, no; try it. Ship $100,000 in freshly coined double eagles to England. They are money here because the United States government ordained them and made them legal tender in payment for all debts, even for duties and interest on 5–20 bonds. But suppose those double eagles reach England. The English people do not know how to calculate dollars and cents. Their money of account is not decimal. Will any of you tell me how much ten pounds, ten shillings and seven pence is in dollars and cents? An Englishman will just about as easily translate our dollars into pounds, shillings and pence as you would convert pounds, shillings and pence into dollars. Our leading commercial and banking houses have special clerks to compute how foreign moneys of account are reduced to dollars and cents. In this audience, intelligent as it is, I do not believe there is one man in one hundred, unless he be a teacher or connected with a banking or commercial house, who can instantly translate dollars into pounds, shillings and pence, or pounds, shillings and pence into dollars. How, then, do you use your American money in England? Very simply. You send it to the bank, where it is weighed; its fineness—9-10 fine, alloyed with 1-10 silver and copper is ascertained, and it is sent to the mint to be converted into money; and you wait till it is converted or pay $1\frac{1}{2}$ pence per ounce to the bank for advancing the money; and then it comes out, not with the American eagle flapping its wings, but with Victoria's beautiful head upon it, with *Dei gratia*, and a whole lot of things upon it. Then it is money! But while it bore our beautiful national stamp it was only bullion throughout the realm of Great Britain. You become incensed at this and go over to France, taking your English sovereigns with you; you attempt to make a small purchase. The shopkeeper shrugs his shoulders and says: "Will monsieur please give me money?" You reply: "That is money!" "Oh, yes, this is money in England; but you see we do

not understand the pound, shilling and pence; we deal with the franc and the napoleon which is divisible by the franc. I will take this coin to the jeweller, or the money-changer, and sell it for you, or it can be sent to the mint and made into money." So if you want "money" you must send your sovereigns to the bank. Your coins are no longer 9-10 fine with 1-10 silver and copper; they are not even the same ingredients in the same proportion as your eagles, for English coin contains 11-12 pure gold and 1-12 alloy. You decide that you will not have the whole of the sovereigns converted, but only enough to meet your immediate expenses. You send a portion to the mint, where their weight, fineness, and value are ascertained, and by paying a proper discount you get napoleons or other denominations of French money with which you may travel in France Belgium, Switzerland, and Italy, the governments of which have made treaties as to the value at which French money shall circulate. By and by you come home, bringing with you your sovereigns or whatever foreign coin you may have. You start out to buy something on Chestnut Street. You lay down a napoleon, and the dealer says: "Can't you give us money?" "Why," you reply, that is gold." "Yes, sir, I suppose it is; but you know we don't use this foreign money here, Congress having long since demonetized it; suppose I send it up to Mr. Caldwell, or to Bailey's, or Drexel's, and ascertain its value, and get you money for it?" Then having paid your two discounts, you send what remains of your bullion to the mint and it is brought back to you nine-tenths fine and converted into money. Where is your "money of the world?" I affirm before these merchants that no international balance was ever settled with money, unless a country had accumulated an amount of foreign money and shipped it to the creditor nation which had emitted it. If any man knows of an instance in which debts have been paid in England, France, Spain, Italy, or Germany with American money, received as money, I ask him to mention the instance, for I have sought far and wide to learn of one.

Further Illustrations.

Now let me illustrate the mad absurdity of talking about "money of the world." I have here in the report of the Director of our Mint a statement of the unit of money of account for thirty-nine nations, ranging in value from $4\frac{3}{10}$ cents of American money to $\$4.97\frac{4}{10}$. Will any of you be pleased to tell me what the *peso fuerte* of the Argentine Republic is, and what it looks like? It is the name of a gold coin, which, if there were one in the world, would be worth just 100 cents American money; but it is recorded

in this official document that there are none! Yet this *peso fuerte* is in the Argentine Republic the unit of account, the monetary unit, by which the value of commodities is reckoned.* But a *peso fuerte*, if it exists in the Argentine Republic, is to be found only in some collection of curiosities. Again, will one of you be good enough to tell me what is a "milreis of one thousand reis?" It is the unit of money of account in Brazil, and is—or rather it would be if there were such a thing in existence—a gold coin worth $54\frac{5}{10}$ cents of American money. There are nine coins enumerated here designated as "dollar," and they range in value from 73 cents up to 100 cents in the money of the United States. Some are gold and some are silver. Which one of you can travel through those thirty-nine nations and get the "money of the world" changed as you go along, assuming that the "money of the world" is the American eagle, the English sovereign, or the French napoleon?† There is, as I have said, no such thing; there never has been, and there never can be, till the millennial day shall dawn on man, when probably not much money will be wanted, either of paper or coin.

What are the Functions of Money?

Having thus rapidly disposed of the question, "what is, and what is not money?" let us ascertain what are the functions of money? Money is the tool of trade. I can only elaborate that definition; I cannot make it more accurate. Money is a medium of exchange, an instrument by which property is transferred from person to person, as a train of freight cars and a locomotive are the instruments by which it is transferred from place to place. You find your sole on the ground, and it admonishes you that you need a pair of boots. You stop at the bootmaker's, and, finding a pair that fit you, ask him "How much for these?" You give him the amount of money named: and they become yours. A man has the skill to labor, and

* Berkeley, in Queries 25 and 26, asks "whether the terms crown, livre, pound sterling, etc., are not to be considered as exponents or denominations of such proportion?" "Whether gold, silver, and paper are not tickets or counters for reckoning, recording, and transferring thereof?" And "whether the denomination being retained, though the bullion were gone, things might not nevertheless be rated, bought, and sold, industry promoted, and a circulation of commerce maintained?"

See also *Money of Account*, Colwell. *Ways and Means of Payment*, chap. 11, 2d ed., Philadelphia, 1860.

† For the benefit of the curious in such matters I insert the following official statement of the names, character, and value in American money of account of the monetary units of the world:—

"The estimate of values contained in the following table has been made

you want certain work done. You say to him, "For how much will you work for me to-day, or by the week?" He names his terms; you get his work, and you pay him the amount of money agreed upon. You have the results of his labor and he has the money by which the transfer between you was made. It is the medium of all exchanges by purchase, from a stick of mint candy by a child to the largest operations of commerce. It is called a circulating medium, because in effecting these exchanges it passes from hand to hand, and may make the whole range of society. It moves, it

by the Director of the Mint, and is hereby proclaimed in compliance with the provisions of law :—

Country.	Monetary unit.	Standard.	Value in U.S. money.	Standard of coins.
Argentine Republic	Peso fuerte	Gold	$1.00	None.
Austria	Florin	Silver	.45,3	Florin.
Belgium	Franc	Gold and silver	.19,3	5, 10, and 20 francs.
Bolivia	Dollar	Gold and silver	.96,5	Escudo, $\frac{1}{5}$ bolivar and bolivar.
Brazil	Milreis of 1000 reis	Gold	.54,5	None.
British Possessions in North America	Dollar	Gold	1.00	
Bogota	Peso	Gold	.91,2	
Central America	Dollar	Silver	.91,8	Dollar.
Chili	Peso	Gold	.91,2	Condor, doubloon, and Escudo.
Cuba	Peso	Gold	.92,5	
Denmark	Crown	Gold	.26,8	10 and 20 crowns.
Ecuador	Dollar	Silver	.91,8	Dollar.
Egypt	Pound of 100 piasters	Gold	4.97,4	5, 10, 25, and 50 piasters.
France	Franc	Gold and silver	.19,3	5, 10, and 20 francs.
Great Britain	Pound sterling	Gold	4.86,6½	$\frac{1}{2}$ sovereign and sovereign.
Greece	Drachma	Gold and silver	19,3	5, 10, 20, 50, and 100 drachmas.
German Empire	Mark	Gold	.23,8	5, 10, and 20 marks.
Hayti	Dollar	Silver	.95,2	
Japan	Yen	Gold	.99,7	1, 2, 5, 10, and 20 yen.
India	Rupee of 16 annas	Silver	.43,6	
Italy	Lira	Gold and silver	.19,3	5, 10, 20, 50, and 100 lire.
Liberia	Dollar	Gold	1.00	
Mexico	Dollar	Silver	.99,8	Peso or dollar, 5, 10, 25, and 50 centavo.
Netherlands	Florin	Silver	.38,5	$\frac{1}{2}$ florin, florin, and 2½ florins.
Norway	Crown	Gold	26,8	10 and 20 crowns.
Paraguay	Peso	Gold	1.00	
Peru	Dollar	Silver	.91,8	
Porto Rico	Peso	Gold	92,5	
Portugal	Milreis of 1000 reis	Gold	1.08,4	2, 5, and 10 milreis.
Russia	Ruble of 100 copecks	Silver	.73,4	$\frac{1}{4}$, $\frac{1}{2}$, and 1 ruble.
Sandwich Islands	Dollar	Gold	1.00	
Spain	Peseta of 100 centimes.	Gold and silver	.19,3	5, 10, 20, 50, and 100 pesetas.
Sweden	Crown	Gold	.26,8	10 and 20 crowns.
Switzerland	Franc	Gold and silver	.19,3	5, 10, and 20 francs.
Tripoli	Mahbub of 20 piasters.	Silver	.82,9	
Tunis	Piaster of 16 caroubs	Silver	.11,8	
Turkey	Piaster	Gold	.04,3	25, 50, 100, 250, and 500 piasters.
United States of Colombia	Peso	Silver	.91,8	
Urugnay	Patacon	Gold	.94,9	

B. H. BRISTOW,
Secretary of the Treasury."

flows, it runs; it is, if it performs its functions, ever in motion, producing societary changes. It is aptly called the life-blood of trade, and it is; for when it is in adequate volume and circulates freely, the body politic is healthy and prosperous. When money is in abundance and the community are enjoying peace and confidence it flows through all the veins of society. Industry is prosperous; production increases; commerce spreads her sails, and the whole country is full of life.

The Condition of the Country.

You have seen a strong man, full of life, rise in the morning welcoming the day as a lion shakes the dew from his mane, and go forward to the battle of life, full of vigor, full of hope, full of energy, full of enterprise. His brawny nether limbs bear his stout body ably; his muscular arm and his cunning hand go glibly and gladly to their duties, performing their functions with facility. But an accident happens, an artery is cut; the blood does not ooze, but flows from him. The surgeon comes just in time to save his life. He staunches the wound and binds it up. But the man is another being, he lies there pallid and shrunken. His sturdy limbs will not bear even his wasted body. His muscles are flaccid, and his fingers have lost their skill. His energy is gone, and he dreams not of enterprise. This is our condition to-day as a people. In 1865 and 1866 every man in America who had the skill and the will to labor could earn wages to support his family and lay something by. All industries were quick and active. Production ran on. The American people waked each new morning to feel that there were great duties before them, that there were mines to be opened, forges and furnaces to be erected to work the iron, the copper, the silver, and the gold of our mines. New houses were to be built. Skill, energy, science, and genius were taxed to quicken and cheapen productive processes. Our wealth grew as it, or that of any other people, had never grown. We were moving onward, when one Hugh McCulloch tapped a great artery and let nearly all the blood flow from the body politic. Diseased, paralyzed, shrinking from day to day, what American has the energy to engage in developing a new mine? Pennsylvanians, who of you are ready to construct a new forge or furnace? Where are the factories building to-day? Your laborers—moody, sullen, in want—are begging the poor privilege of earning a day's food by an honest day's labor. Their homes are being stripped of everything they cherish. Go through the suburbs of your city, halt before the houses where of a Sunday afternoon you would, a few years ago, have found the family gathered about

the melodeon or the cheap piano, singing the praises of Him who had given them their lines in such pleasant places. Ah! the house is silent now; the father is without employment, the sons are in idleness, the daughters have no work; the melodeon or the piano is gone. Aye, worse than that, the most cherished mementoes, though of little value measured in dollars and cents—the cheap jewelry—the trinket that the young lover toiled in over hours that he might buy and see it grace the person of his sweetheart, the amulet he hung upon the neck of his bride—the silver cup that marked the birth or christening of their first-born—cherished all, but they have all gone to the pawn-broker or jeweller to bring them food. Courage gone, hope gone, despair crushing him to the earth, and destroying all the pride that made the American mechanic the boast and honor of his country, many a man to-day, longing for honest work but powerless to obtain it, creeps and crawls from town to town, foot-sore, ragged, dusty, to beg from strangers rather than from those who know him, and will remember it—to be denounced as a "tramp" and commended to the custody of the police!

Financial Apoplexy.

Again, take a man, wounded, but not unto death. After a long treatment he recovers, and seeking exercise falls upon the sidewalk; you hasten to him and find that the volume of blood that was slowly returning to his shrunken veins has gone in excess to the head or the heart. His limbs are cold and motionless; his heart, surcharged with blood, does not beat. It is a case of apoplexy. Here again we have an illustration of our present financial condition; for while the government has withdrawn 66 per cent. of our money, it has so destroyed confidence that those who own money deposit it as dead capital in the Treasury of the United States, or in the vaults of banks; they will not lend or use it. The vaults of the banks at the great money centres and the Treasury of the United States are gorged with that which should be money—was issued as money—and would be money if it were circulating, but which is, in fact, dead capital in the form of money. Therefore all exchanges of labor or commodities, not required by the exigencies of life, are suspended.

Inflation a Fatal Error.

But there is another side of the case. There must not be too much blood in the system; for in the case I have just supposed an excess of blood in proportion to the sick man's strength brought on apoplexy. Money is the tool of trade; and if there be too many plows, or reaping machines, or other agricultural implements—if there be more turning-lathes, shaping-machines, and steam-engines

than there is use for, they cannot be sold; they remain on the hands of the manufacturer; they are dead capital, or, if sold, are sold at a sacrifice, and thus bring down the whole market. There is not only a loss on the surplus, but the sale of the surplus below its value brings down the price and value of all. As it is with the tools of agriculture and manufacturing industry, so is it with the tools of trade. If the volume be inflated, increased beyond the demands of legitimate trade, the surplus reduces the value of the whole volume. Therefore, inflation is to be guarded against with equal care with contraction, because it is fraught not only with its own evils and dangers; but when private credit is thus inflated it is sure to be followed by contraction and its disastrous consequences;* for,

* The following extract from a speech I made in the House of Representatives on the 4th of April, 1874, which was printed not only in the *Congressional Record*, pp. 2802–2808, vol. 4, but many thousand copies of which were circulated in pamphlet form in all parts of the country, shows the mendacity or wilful ignorance of those who have denounced me as an inflationist, and warned the public against the tendency of my doctrines:—

"This derided but beneficent system of interchangeable loans was an inherent part of our system of paper money until, as I have said, we blunderingly or criminally eliminated it on the 12th of July, 1870.

"Restore it! Restore the balance-wheel, the governor of the machine, and in doing it you will break up the power of Wall Street to gamble with the wealth and industry of the country. But, sir, if we fail to do it and legislate at all this session, we will work disasters wider spread and greater than those from which we are now suffering. Twenty-six of the forty-four million dollars have already been issued. Shall we withdraw them? The business of the country is paralyzed. Men, women, and children who would gladly earn, and were earning last September, honest livelihoods and laying up money for the future, are to-day out of employment by hundreds of thousands, and are living in enforced idleness. Your machinery, wonderful in its ingenuity and more wonderful in its power, stands still, coated with dust or eaten by rust. Your water-power is running to waste, and your mines are yielding but a small percentage of what they were accustomed to yield. Your revenues have run down, and the savings banks, called upon by the laboring classes who are their depositors, are notifying mine and factory owners and business men to prepare to pay their mortgages, and the work of contraction thus goes on apace. What, in view of this condition of things, will be the result if you determine to recall the twenty-six of the forty-four million reserve which have been issued?

"Mr. Speaker, we have voted to issue the remaining $18,000,000. Ah, sir, that way greater danger lies, if no means be provided by which the surplus may be absorbed in seasons of commercial inactivity, and kept from Wall Street and its gambling speculators; and I, therefore, voted against the proposition, wild inflationist as I am said to be. Add $18,000,000 to the $26,000,000, with stagnant business, and what will there be for it to do? Why, it will go to Wall Street, to Third Street, to State Street; it will go into the hands of the Goulds, the Vanderbilts, the Drews, whose existence is proof that man may exist without conscience, moral principle, or human sympathy, and by next August your hotels at the watering places around New York will swarm with speculators, and money will be easy; but when September shall come, and money be needed to move the crops of the West and South, we will have last September over again, but with a power increased in the double ratio of the increased volume of currency and the listlessness of the productive power and trade of the country. Let gentlemen who talk of *assignats* and Continental money take heed while they may, and provide legitimate employment at all seasons of the year for the entire volume of our inconvertible currency."

mark you, my friends—I do not speak in censure—whenever money, that which is legal tender, is reduced below the amount demanded by legitimate trade, private credit takes its place; hence, in all ages and all countries,

The Banking Class,

whether corporate or individual—the lenders of credit—favor the contraction of the volume of money, because when money is suddenly or for long-continued periods slowly contracted, men who have engaged in enterprises must go to their rich neighbors and borrow their credit to complete the enterprises in which they have engaged. Hence the credit monger always wants contraction, that the producer may pay high interest to him for the currency he needs, and charge the increased cost to the consumer or lose it himself. Contraction inevitably follows periods of wild inflation, which always occur when private credit is substituted for money. But do not understand me to say that every large or every sudden expansion of the currency is inflation. Does not every business man before me know that much more money is required at some times than at others; that there are steadily recurring seasons in every year in which more money is needed than at others, and that when the legitimate demand for money is abated it finds its way to Wall Street or other money centres, to be used in visionary or fraudulent speculations, which must result in explosions, such as occurred in the autumn of 1873?

Grant testifies for Kelley.

But I will not make the argument on this point. I prefer that it should be presented by President Grant in the admirable language of his message of December, 1873. He then said:—

"It is patent to the most casual observer that much more currency or money is required to transact the legitimate trade of the country during the fall and winter months, when the vast crops are being removed, than during the balance of the year. With our present system, the amount in the country remains the same throughout the entire year, resulting in an accumulation of all the surplus capital of the country in a few centres, when not employed in moving crops, tempted there by the offer of interest on call loans. Interest being paid, this surplus capital must earn the interest paid with a profit. Being subject to 'call,' it cannot be loaned, only in part at best, to the merchant or manufacturer, for a fixed term. Hence, no matter how much currency there might be in the country, it would be absorbed, prices keeping pace with the volume, and panics, stringency, and disasters would ever be recurring with the autumn. Elasticity in our monetary system, therefore, is the object to be attained first; and next to that, as far as possible, a prevention of the use of other people's money in stocks and other species of speculation."

Automatic Expansion and Contraction.

I think this admirable statement by the President must make the matter clear to every mind. There are times when a large expansion of the currency is necessary to the health of trade, and is, therefore, not inflation; on the other hand, there are times when safety requires that there should be some profitable means of retiring such money as is not demanded by the legitimate wants of trade, and which in default of other employment will be employed in rash speculation. From the considerations presented I deduce the conclusion that what we need is a money which will so contract and expand as to furnish trade with the number of tools it needs at each varying season of the year. Is such a monetary system possible? It is; I answer absolutely it is; and had Salmon P. Chase continued to administer the Treasury of the United States, I believe as firmly as I believe in my own existence we should be enjoying such a system to-day, and should have known nothing of the bankruptcy and ruin which have prevailed over our country for nearly three years.

The Crash of 1857.

Let me show you some of my grounds for this belief by recalling to memory some incidents of the recent history of our country. The war found us at the close of more than a decade of free trade and "honest money," as the bullionists say; that is, gold coin and treasury notes for $50 or multiples thereof, for the government, and broken promises or promises of broken banks for the people. It found the government without credit. The banks were slowly recovering from the second suspension of cash payments since the summer of 1857.* The people were almost as universally idle as

* Since the fall of the Bank of the United States, the State banks have six times suspended specie payments in a period of twenty-eight years, viz.:—

From May 11, 1837, to August 2, 1838.
" October 9, 1839, to January 15, 1841.
" February 6, 1841, to March 18, 1842.
" September 26, 1857, to February 3, 1858.
" November 23, 1860, to March 9, 1861.
" December 30, 1861, to the present day.

Each of these suspensions, except the last, caused by the war, was preceded by an inflated currency [Were these not rather periods of inflated credit, individual and bank, arising from a want of sufficient current money of the realm—the law-makers attempting to subordinate commerce to one of its instruments? W. D. K.],-by high prices, by over-trading, by riotous speculation, and by a commercial panic. Each was accompanied by disastrous

they now are. Bankruptcy was abroad over the land. Ships lay rotting at the wharves alike of the lakes and the sea-board. Want and penury had succeeded to the prosperity produced by the tariff of 1842, and which had been sustained for a time by the discovery of California gold and the demand created for our cereals by the potato rot in Ireland. The government asked a loan of $5,000,000, and offered short treasury-notes, bearing interest at one per cent. a month.* Only $5,000,000 were asked from all the world, yet so utterly bankrupt of credit was our government that all the world tendered it but $2,500,000, even at that high rate of interest. Yet though thus without money or credit, we had upon our hands the most gigantic domestic war of history. Had the men to whom the preservation of the Union was then confided—Lincoln, Stevens, Chase, Seward, Fessenden, and other patriots whose names you honor—believed that nothing could be money but gold or silver or paper which was instantly convertible into these metals, we could not have fired a gun; the Confederacy need not have prepared for war; the boast of one of its eloquent leaders, that a cambric handkerchief would staunch the blood of the war, would have been true, for of gold and silver, as Mr. Stevens has shown you, there was none at the command of the government. It gave the banks a bonus of $5,500,000 for the loan of $50,000,000 payable in coin, and was compelled to receive many of the later millions in the notes of insolvent banks because coin was not to be had.

Lincoln, Stevens, and Chase, and the Rag Baby.

But the patriots to whom I have referred had studied the Constitution of the United States. They knew that it imposed upon them the duty of saving the nation. They knew that money is the sinew of war, and that it must be had. They knew that the Constitution authorized the coining of the public credit into money.†

losses to individuals. Notwithstanding the lesson afforded by each catastrophe, the same career of folly and extravagance was repeated.—*A National Currency*, by Sidney George Fisher, p. 31, 12mo., Philadelphia, 1864.

* Under provisions of act of March 2, 1861.

† One power which every government of a civilized people must possess is that of providing both for itself and for the people a circulating medium, for the simple reason that it is a matter of absolute necessity to both, which the government alone can supply. A circulating medium which the people do in fact use, which both they and the government, by reason of controlling natural causes must use, is the currency to which the power and the duty of the government must apply. Whether it be made of paper, or leather, or iron, or gold and silver, or any other material, it is money if the people do and must use it as money; and the government must use it too, and create it and

They "smote the rock of public credit," and power and prosperity gushed forth. "Smote the rock of public credit!" What does that mean? Why, they called into existence the "rag baby!" They said to every man that would work: "Here are wages for you; this rag baby will pay you." They said to ship-owners: "Unfurl your rotting sails and open you hatchways; we have brought grain from the farm, carry it abroad to buy us clothing and arms; for our industries have been stricken, and we cannot provide clothing or

regulate its value, or be shorn of an essential prerogative and fail in the performance of an important duty. Had our Constitution omitted entirely a grant of power over money, the power must have been implied; for without it the government would have been unable to perform any of its functions. But the power was not withheld—it was given, though in language which confines it to one sort of money only, coin—while in process of time it has happened that paper money has become practically that which, far more largely than coin, both the people and the government must use.

The restriction implied in the language of the Constitution refers, not to the power, but to the mode in which it is to be exercised. Now, the power is the principal thing, the manner of using it subordinate; the first is permanent, the second changeable; the first substance, the second attribute; the first essence, the second accident. Therefore, if one of the two must be sacrificed, the second must yield to the first; for without the first the government is wholly impotent either for its own preservation or the well-being of the people. The truth of this reasoning will be more apparent if we suppose the intention of the Constitution, according to the doctrine of the narrow school, to prohibit the use of paper money altogether to have been actually carried out—that there were no bills of credit emitted either by the States or the general government, and no bank notes. It might become physically impossible for the government to coin money. It is supposable that mines may yet be discovered in California or elsewhere, so rich as to render gold and silver too plentiful and cheap to be used as money. Should they become as cheap as iron, they would be useless as instruments of exchange. Or they might become so scarce as to be valueless for currency; or they might disappear altogether, as they have done now. Should the government coin them, they would instantly vanish. They would fly, as they have flown, into brokers' chests, bank vaults, behind the wainscots, under the hearths, into stockings and old coffee-pots of farm houses. Should it become, or if it now be, impossible for the government to "coin money," while yet it is possible for it to create and regulate the value of money which the people do use and must use, is it not absurd to say that such a physical impossibility destroys the power? that, because the power cannot be exercised in one specified way, it cannot be exercised at all, though another way, equally beneficial, be open? that we who now own the Constitution must relinquish the advantages of a necessary power, out of superstitious regard to a restriction which time has shown to be useless and unwise? Surely this reasoning would be unworthy even of a *pie poudre* court.—*A National Currency.* By Sydney George Fisher. Philadelphia, 1864, p. 58 et seq.

arms for the army that is to sustain the Union." The "rag baby" showered greenbacks upon them, and the ships spread their sails, and carried rich cargoes to foreign lands, which were exchanged for clothing, arms, and munitions of war. Industry was rife throughout the land. The farmers, who had been without an adequate or remunerative market for years, were getting good prices for their grain, were paying their debts to the local merchant, who, in turn, paid his to those of the great cities.

The Marvellous Rag Baby.

A marvellous child was that "rag baby." While not yet a month old, its name, "greenback," not yet familiar to the people, it lighted the fires in every forge and furnace of the country; it hired ships and bought others; it blockaded the whole Southern coast; it rallied an army of 75,000 men, and we soon after heard ringing through the streets the shout of well-paid and well-clad soldiers, "We're coming, Father Abraham, three hundred thousand more." The "rag baby" was welcomed by every commissary, quartermaster, and paymaster. It furnished transportation; it met all demands, and the American people—at least those of the free States—with the great war on their hands, were prosperous as they had never been, thanks to the marvellous power of the "rag baby!" It did more than all this. It adorned our history with new glories. It opened the pathway to imperishable fame to Farragut and other naval heroes. It re-called to the military service of the country

Ulysses S. Grant.

It gave him a regiment insubordinate, refractory, from the command of which other officers shrank; it said to him: "If you bring order out of this mass of turbulent manhood, promotion awaits you." And while other regiments were being sent to the front by train, that silent little man, knowing that the "rag baby" would provide rations, marched his regiment and brought them to the front in good order and ready for the fight. Proud of the achievement, the "rag baby" recruited other regiments for him and made him first a brigadier, then a major-general, and gave him the command of divisions, of corps, of the armies of the United States. As I said to the Confederate officers and soldiers who surrounded me when I spoke at Macon and Atlanta, Georgia, it was the "rag baby" that crushed the Confederacy and restored the Union. I name it not the "rag baby;" I take the derisive term from the door of the Presidential mansion. I cannot imply a want of respect for the constitutional legal-tender money of the country, its Treasury

notes, which did all that I have attributed to the "rag baby." When I spoke from the grand stand of the splendid grounds of the State Agricultural Society of Georgia, where Confederate generals, colonels, and privates greeted me, giving the "rebel yell" with enthusiasm and thus honored the "rag baby," they playfully said to me after leaving the platform: "Yes, Judge Kelley, it was the 'rag baby' that whipped us; if you had held on to hard money you could never have beaten us."*

Chase and Interconvertible Bonds.

I have said that I believe Salmon P. Chase would have made our legal-tender paper money acceptable for all time by having it made inter-convertible with interest-bearing bonds, had he remained at the head of the Treasury Department. Let me prove it to you, or show at least what he thought on the subject. There was fear that the paper money might be issued in excess, that it might not be so handled as to maintain its nominal value. Like Stevens, Mr. Chase knew what Benjamin Franklin had taught, and that, had his teachings been regarded, they would have saved the Continental money from destruction; that by borrowing back from the people the money issued, borrowing it in exchange for interest-bearing obligations, the volume of currency could never become excessive. On page 10 of his annual report of December 4, 1862, he said:—

* The issue by the Government of an adequate volume of the current money of the realm revived prosperity by making the exchange of commodities possible, and enabling enterprise to employ and pay labor. But had such legislation not been supplemented, it would have done but little for our unemployed artisans or the development of the material resources of the country, as under the revenue tariff of 1857 we should have imported the cheaper productions of the ill-paid laborers of Europe. This result was averted by the following acts of Congress:—

Act to provide increased revenue from imports, to pay interest on the public debt, and for other purposes. Approved August 5, 1861.

Act increasing, temporarily, the duties on imports, and for other purposes. Approved July 14, 1862.

Act to increase duties on imports, and for other purposes, approved June 30, 1864.

The effect of these acts was to stimulate the importation of men and women skilled in the arts of production, and the conversion in our midst of our own raw materials into wares and fabrics for our use. The number of immigrants which, under the influence of "honest money" and free trade, had shrunk from over 251,000 in 1857 to less than 92,000 in each of the years 1861 and 1862, swelled, under the influence of the "rag baby" and these protective statutes, to 450,000 in 1872, but has been reduced by our financial policy to 191,000 in 1875.

"In aid of these provisions for public payments the Secretary recommended, and Congress by different enactments authorized, the receipt on temporary deposit, at an interest not exceeding 5 per cent., of such sums as might be offered, not exceeding in the whole $100,000,000."

He had previously in the same report called the attention of Congress to the fact that a fund of $50,000,000 of the greenbacks then authorized was to be reserved from issue until actually required for payment of deposits on account of such temporary loans. There was the beginning of the interconvertible bond system. The people were to lend their money, take temporary loans, and at any time, on ten days' notice, get back their money and surrender the bonds. There was the form of that interconvertible bond system which has brought on me so much calumny and derision. But that was not all he said. Before closing this report Mr. Chase added:—

"A considerable additional sum may probably be attained by removing the limit on temporary deposits. The amount of these deposits has steadily increased, notwithstanding large repayments to depositors. The treasury of the government has been made the savings bank of the people. Should the restriction be removed, there is reason to believe that $25,000,000 may be received beyond the maximum now fixed during the year."

The People need a Savings Bank.

The savings bank of the people! Heaven knows the people need a savings bank they can trust. Had the convertible bonds been in circulation, the treasurer of the Franklin Savings Institution would probably not have been a convicted felon, and the working people of Philadelphia would not have been robbed of $800,000 of their earnings. Had the savings bank of the people, established by Congress upon the recommendation of Salmon P. Chase, been maintained, the poor freedmen of the South would have retained some faith in Northern probity and honesty, and would not have been robbed of nearly $3,000,000 by the Freedman's Savings Bank. Look at the failures of savings banks in New York, New England, at Pittsburg and throughout the West! Why may not the people have the treasury of the nation as a savings bank? Why may not the government take their funds at 3.65 per cent. interest, and so apply them as to redeem 5 and 6 per cent. gold-bearing bonds, the interest on which is now paid to foreigners, to the impoverishment of the whole country? In his report of December 10, 1863, Secretary Chase, that wise and patriotic administrator of our finances, said:—

"The general distribution of the debt into the hands of the greatest possible number of holders has been the second object of the Secretary in its creation. This has been accomplished by the universal diffusion of United States notes and fractional currency, by the distribution of certificates among great numbers of contract creditors and temporary depositors, and by arrangements to popularize the loans by giving to the people, everywhere, opportunities to subscribe for bonds. * * * * * In harmony with these views, Congress provided for the issue of the bonds known as the 5–20s, and also for the issue of treasury-notes, payable three years from date, for certificates of indebtedness, payable in one year, and for temporary loans by deposits, reimbursable after ten days' notice."

Again,

"The final object of the Secretary was to extract from the unavoidable evil of debt as much incidental benefit as possible. To this end he desired authority to receive temporary loans in the form of deposits reimbursable after a few days' notice. This measure was regarded by many with something less than favor at first. But Congress, after full consideration, authorized the receipt of such deposits at an interest not exceeding five per cent. to the amount of $25,000,000; then raised the limit to $50,000,000, and then to $100,000,000, and provided a reserve of $50,000,000 of United States notes to meet demands for reimbursements beyond other convenient means of satisfaction. It was not long before these deposits reached the highest limit, and before the flow could be well checked somewhat exceeded it."

Here are some remarkable facts. When Congress provided that $25,000,000 might be received, more than $30,000,000 poured in before the Secretary had heard from all the sub-treasuries. When at the end of three weeks Congress, upon the solicitation of the Secretary, increased the amount to $50,000,000, $66,000,000 flowed in before he had heard from all the sub-treasuries and stated his accounts. He then appealed for authority to receive $100,000,000, and it was granted. When the first account was made up, there were $107,000,000 on deposit. Who says that the people would not accept the National Treasury as their savings bank, and lend it day by day their balances, until, as the $150,000,000 of notes were to absorb the $500,000,000 of bonds by being loaned and reloaned, the money of the American people would not bring our whole debt home, and the interest on that debt be paid to them to revive their industries and prosperity? Secretary Chase, continuing, said:—

"The utility of the measure was very conspicuous on the recent occasion of great stringency in New York, when the Secretary was able to reimburse over fifty millions of these deposits during the last week of the year, by which action the pressure was sensibly alleviated, with the use of only a fifth of the reserve. In former

reports the Secretary has stated his convictions, and the grounds of them, respecting the necessity and the utility of putting a large part of the debt in the form of United States notes, without interest, and adapted to circulation as money."

Not as evidences of debt, not as credit, but as money.

"These convictions remain unchanged, and seem now to be shared by the people. For the first time in our history has a real approach to a uniform currency been made, and the benefits of it, though still far from being the best attainable condition, are felt by all. The circulation has been distributed throughout the country, and is everywhere acceptable. So, too, real and great advantages are derived from the wide diffusion of the debt among the people, through business transactions, and through the exertions of the officers of the department, and the agents for loans, already noticed. It is impossible to estimate the advantages to national unity and national strength secured by this distribution. Every holder of a note or bond, from a five cent fractional note to a five thousand dollar bond, has a direct interest in the security of national institutions and in the stability of national administration. And it is another and no small advantage of the distribution that the burdens of debt, always heaviest when loans are held by few, and especially by foreigners, diminish, in proportion as the receivers of interest become identified with the payers of taxes. * * * The limits of deposits for temporary loan are fixed at $100,000,000. The amount of this deposit on the first day of December had been reduced to $45,506,120.01, and payments of $10,000,000 had been made from the reserve. The additional payments will be confined within the narrowest possible limits, and can hardly exceed $25,000,000. The reflow of deposits has already begun, and will probably soon exceed reimbursements, and so arrest payments from the reserve. The whole reflow beyond the amount of these payments will be available as part of the additional loan required, and may be stated without much risk of mistake at $25,000,000. The Secretary perceives no solid reason for retaining the restriction on loans in this form to $100,000,000. It may, as he thinks, be usefully removed. As the advantages of these deposits become better and more generally understood, the loan in this form will, doubtless, in the absence of restriction, be largely increased, and the possibility of demands for reimbursements beyond means to meet them can be fully provided for by an increase of the existing proportion between deposits and reserve."

Now mark the words with which he closed this subject.

"*Such an arrangement, the Secretary inclines to think, would operate beneficially by increasing the amount of currency when unusual stringency shall require increase, and reducing its amount when returning ease shall allow reduction.*"

Was Chase Revolutionary?

In these extracts from the official reports of Salmon P. Chase you have all the doctrines I have promulgated on this subject, and

which have made me an object of derision from one end of the country to the other. I speak to you, my townsmen, from the notes that guided me at Cincinnati and New York; at Macon and Atlanta; at Hartford and New Haven. I have not brought one set of opinions to you and uttered another set to others. Do you find anything "revolutionary" in these teachings of Salmon P. Chase? Did you not all regard them as safe, conservative and patriotic when they were uttered? Why then should three gentlemen* issue and enforce by the power of their wealth, their conceded and well-earned respectability and their supposed personal friendship for me, a manifesto, denouncing me as a disseminator of "revolutionary" doctrines? If my views are so "revolutionary" as to have required or justified such a manifesto from those gentlemen, they have other duties to perform. They should erase from the monument of Salmon P. Chase whatever words express the gratitude of the American people for his masterly administration of the finances of the country. Nor can they pause there, for ghoul-like they should open the grave of the late loved and loving Sidney George Fisher, and heap upon his coffin torn and crimpled pages of his article in the *North American Review* for July, 1864, in favor of a national currency. Nay, more than this, they should enter yonder university, carry from it its choicest treasure, the library of the late Stephen Colwell, and, while tearing the volumes page from page, should have the common hangman burn that great book of his, the most philosophic and instructive ever written on the subject of the "Ways and Means of Payment." And when they have done this, another great duty will lie before them—to clothe with ignominy and scorn yonder venerable form (pointing to Henry C. Carey, who sat on the platform). Let them render odious to his townsmen the name of Henry C. Carey, which will go down through long centuries instructing the nations and preserving a sweet savor of the life of two generations of Philadelphians. If it be true that my teachings are "revolutionary" and dangerous, treat me gently, I pray you, for these my teachers have misled me. My dear friend Henry Carey Baird, my instant and constant co-laborer, and I claim only to be disciples of Carey, and Colwell, of Sidney George Fisher, and Salmon P. Chase. [A voice—And Franklin.] Aye, and Ben. Franklin; and our labors, often at the cost of health and money, have had for their sole object the dissemination of the wisdom and patriotism of these great and good men, as a means of restoring our country to health and vigor.

* Henry C. Lea, Joseph Wharton, and William Sellers.

After McCulloch—The Deluge.

But, unfortunately for the country, Mr. Chase left the Treasury. Hugh McCulloch succeeded him, and I have shown you how he hamstrung the whole nation. I affirm that his management of our finances, while it has enriched him and made him a great London banker, has cost the American people more than the war did. We are not going towards resumption; we are going towards bankruptcy and temporary repudiation. We are not travelling to "hard-pan," but are drifting towards Symmes' Hole, which was said to be bottomless. I affirm that there never was a time when the American people lived so entirely within their means as in what Mr. McCulloch denounces as the dangerous era of credit, expansion, and extravagance. At the close of 1865, so thoroughly were the American people living on the cash principle, that there was scarcely a mortgage on a farm in Pennsylvania, or any of the old agricultural States. Private business paper gave no employment to the banking capital of the country. The banks had one-half their means invested in government securities, because there was no private paper to discount, and the securities which they thus held, and received interest upon for their stockholders, constituted one-fourth of the national debt. There were few suits in our courts; there were scarcely any failures; the people were prosperous; labor and capital were profitably employed; the country was expanding, 400,000 immigrants coming annually to give us new blood and new vigor. How is it now, when the country is drifting under the effects of Mr. McCulloch's empiricism? Let me read you an extract from a letter from one of my friends in the interior of this State, whom many of you know as the able, efficient, and intelligent Secretary of the Industrial League during the later years of its existence.* His letter is dated Johnstown, Pa., December 21, 1874. He says:—

"The country is getting into a desperate condition, and the anarchy that prevails in the South will soon be seen in worse forms in the North. Debtors are coming under the hammer, and there is no price for property at a forced sale. It is a piteous thing to read the constables' and sheriffs' notices, advertising the cooking-stove, bedstead and bedding, child's crib, etc. And the worst of it is, it brings nothing. Debtor and creditor are alike ruined."

That was written more than a year ago, and the sad story has since gone on with continuing aggravation. The revenues of the

* Cyrus Elder.

government fall off. We added taxes and duties in the last Congress which were to yield $40,000,000. We increased the tax on alcohol 33 per cent.; on tobacco 25 per cent.; on imported sugar 25 per cent. Yet for the first six months these additional taxes have yielded a little over $3,000,000. People from whom the sheriff has sold the child's crib and their bed and cooking stove cannot consume very largely of dutiable and taxable goods and thus enrich the government.

Philadelphia called to Testify.

But let us look at our own city. In 1869 I was called upon, as one of the representatives of Philadelphia, to show the fallacies in the report of David A. Wells, Special Commissioner of Revenue, who was charging that the people were growing poor by reason of the alleged inflation of the currency. I determined to look at the records of my own city, and to compare the number of suits and sheriff's sales with those of the days of free trade and hard money, which, as I have said, meant gold for the government and notes of insolvent banks for the people. I found that in 1860 the sheriff of Philadelphia received 1740 writs for the sale of real estate; but in 1867, under the influence of the "rag baby," he received but 706—a decrease of 60 per cent., notwithstanding the increase of our population. I found that under a contracted currency and free trade in 1857, 1858, and 1859 there had been 35,053 suits brought in the Court of Common Pleas and the District Court; while in 1865, 1866, and 1867, with paper money abundant, the number had shrunk to 20,949, notwithstanding the increase of population. Now let us contrast 1865 and 1866 with 1874 and 1875. We are back again to an attempt to use hard money; we are back again to a contracted currency. The 7-30 and the compound interest note, the certificate of deposit and the temporary loan, all those forms of loans which, while they were evidences of debt, were made by statute a legal tender, receivable by the banks as money and used as reserve, have been withdrawn. While the "rag baby" was scattering its blessings with a free hand there were, in 1865 and 1866, 20,042 suits brought; but in these days of contraction—1874–75—there have been 44,506, an increase of 120 per cent. When did the people live within their means? When there were no lawsuits, and no business for the sheriff, or now and in 1860, with the sheriff the only man in the community enjoying a profitable business?

How the Sheriff prospers.

I have also a statement of the number of properties advertised for sale by the sheriff in the years 1865–66 and 1874–75. In the years 1865–66, when money was plenty, when industry could earn wages, when capital could engage in enterprise and make a profit, when we went to bed every night thanking God that the "rag baby" was still good and generous, there were but 2213 suits. With a contracted currency, in 1874–75 there have been 7426, an increase of nearly 200 per cent. I ask again, when were the people living within their incomes? Was it when they all paid their debts and avoided litigation, or is it now, when the sheriff is called in to settle accounts between so many of them, because but few can pay their debts?

But I stop not here. I have Dunn, Barlow & Co.'s report of failures in 1864–65, and on the 31st of August, 1865, there was more paper money afloat than on any other day in our history.* In that year there were 530 failures throughout the Union, the total liabilities being $17,625,000. But now, when we are getting down to "honest money" and "hard-pan," the failures in 1875 were 7740, with liabilities amounting to $201,000,000. There is the record.

An Appeal to Philadelphia.

Men of Philadelphia, the time has come when you should study this great subject and act. So long as that infamous machine for transferring the labor of the masses and the property of the debtor class to heavy capitalists, American and foreign, the law for compulsory resumption of specie payments, stands, these lists of sheriffs' sales and failures must continue to increase. In the name of the poor—in the name of the women and children who would gladly toil for their own subsistence, but who are sinking into despair and vice—I ask you to raise your voices and say that the American people have some rights as well as the London banker and the holder of the bonds he deals in. While that statute remains on the book, times cannot improve, for it is notice to every man that we are going to "hard-pan;" that is, that we are going to do without money, and that values must, therefore, continue to shrink.

* The amount in actual circulation, including demand notes, reached its highest point about August 31, 1865, when it was $433,160,560.—*Practical Information concerning the Public Debt.* By Wm. A. Richardson, late Secretary of the Treasury, page 39. This is exclusive of compound interest notes, 7.30's, certificates of indebtedness, etc., which were also then at the highest point, making a total of over $2,000,000,000.

Senator Boutwell on the Stand.

"Oh, no!" it is said, "get your paper out of the way, and money (that is coin) will rush in." Let us see how coin is to get in, and where it is to come from. After Hon. George S. Boutwell had been transferred from the Secretaryship of the Treasury to the Senate of the United States, and when, on January 22, 1874, that body was discussing a proposition to sell bonds with which to get gold to pay off greenbacks—just the proposition now before the Senate—Mr. Boutwell made this statement:—

"When the negotiations were going on in London for the sale of the largest amount of United States bonds that have ever been sold there at one time, it was foreseen by the Bank of England that a quantity of coin would accumulate, as the proceeds of these bonds, to the credit of the Government of the United States. As a matter of fact, there was an accumulation of about $21,000,000. The Bank of England, foreseeing that there would be an accumulation of coin to the credit of the United States, which might be taken away bodily in specie, gave notice to the officers of the Treasury Department of the United States that the power of that Institution would be arrayed against the whole proceeding, unless we gave a pledge that the coin should not be removed, and that we would reinvest it in the bonds of the United States as they were offered in the markets of London. We were compelled to comply. It was in the interest of the government that we should do so, because we did not want the coin, and we did want the bonds. But it shows the feeling that animates that central financial power of Great Britain, and it shows a policy on the part of that institution, and of every kindred institution on the continent of Europe, sustained by all the banking and commercial classes, by which, if it were necessary, and this proposition should become a law, the bonds of the United States would be excluded from the stock markets of every financial city. There are in the nine great banks of Europe only $600,000,000 in specie. That specie is held as a reserve with reference to their local business, and with reference to the great transactions that take place between the countries of the continent of Europe and Great Britain. I may say, without disparaging the authors of these propositions, that it is useless for Congress to waste time upon legislation looking in that direction. There is another fact known to all. We recovered at Geneva an award against Great Britain of $15,500,000. When this claim was maturing, the banking and commercial classes of Great Britain induced the government to interpose, and by diplomatic arrangements through the State Department here, operating upon the Treasury Department, secured the transfer of securities, and thus avoided the transfer of coin. In the presence of these facts, is it to be assumed for a moment that we can go into the markets of the world and purchase coin with which we can redeem four, three, two, or one hundred million outstanding legal-tender notes?"*

* Congressional Record, vol. ii., part 6, Appendix, pp. 23-4.

The Fool-Killer De Mortuis.

I fear the fool-killer is dead; for in view of these facts the Senate of the United States is engaged in discussing a bill to buy, by an issue of 5 per cent. gold bonds, from foreign nations, $200,000,000 of gold with which to take up and retire the legal tender notes. Now, if senators will not believe Boutwell—if history can teach them no lesson, let me call their attention to a few words from an English professor, whom, when he visited this country, the bullionists delighted to honor—Bonamy Price. They fell down before him as though he were the golden calf. Their worship could not have been more abject. Here at length was a man of wisdom! Here was a man all the way from the University of Oxford, to tell us that we had "a shocking bad currency." Now it so happens that just before coming here Bonamy Price had written for *Fraser's Magazine*, of October, 1873, a review of Bagehot's book, entitled *Lombard Street*, and if our Senators do not belong to that class of people who, "though brayed in a mortar," etc., they might imbibe some information from this statement taken from that article.

The Loanable Wealth of England.

"The wealth of England, which she can lend to individuals or to States," says Mr. Price, "is not cash, but commodities. England is described as 'the greatest moneyed country in the world; as having much more immediate disposable and ready cash than any other country.' Is that so? Is it certain that England has more gold and bank notes than any other country? The Bank of France—not the present hoarders—had fifty millions of English pounds in gold before the war. At that time we would rather have backed France than England for cash. But, then, it is plain that by money and cash is meant the 'loan fund' of banks, which is further illustrated by reckoning up deposits—'money deposited in banks.' Is there no need here for pointing out that deposits are merely debts, and the money in the bank only a register of names and figures? If a nation wants even to make a railway, it is sure to come to the country of banks for the money; and the English bankers are great lenders to those who lend to foreign States. But what do they lend? Cash—a loan of fifty or one hundred millions of cash? The very mention of such an idea excites a smile. There is no consciousness awake to the fact that loans to foreign railways are taken out in locomotives and rails, and loans to foreign States leave England in some form of English goods."

Now suppose we issue $200,000,000 of 5 per cent. gold-bearing bonds, there will be an addition of $10,000,000 to our annual gold indebtedness, and what will we get? Not gold, but locomotives, rails, cotton goods, all sorts of commodities, to further embarrass

our own diversified industries.* People who are accustomed to lending money at 2½ or 3 per cent. a year can afford to sell goods very low in exchange for gold-bearing bonds, which will bring them 5 or 6 per cent. in gold forever thereafter. There is the whole operation.

A Good Story for Kelley.

Now, in this connection it may not be improper to repeat a good story which has been told of this presumptuous political economist, Bonamy Price. In one of his lectures in New York, he remarked (so the papers stated) that he had had his attention called to the wild schemes of Mr. Kelley, a member of the House of Representatives, proposing to issue bonds bearing 3.65 per cent. interest, and redeemable at any time, which he thought would be very dangerous to the country; and besides, both the principal and interest of these bonds were to be payable in the paper money of the country, which he thought would be very dangerous to the depositors. The professor was about starting off upon a new point, when a tall, slab-sided Yankee, who had not seemed to be listening, but was apparently engaged in twisting and untwisting a piece of string between his thumbs and forefingers, obtained the professor's consent to ask a question, provided it was pertinent. "Won't you tell us," said he, "something about the Postal Savings Bank of the British Government?" The professor proceeded to explain that the "paternal" government of England, desiring to encourage a spirit of thrift in the laboring classes, who had been largely swindled by pretended bankers offering high rates of interest, had provided by law a postal savings bank—a system by which any one having a few shillings or pounds could deposit them at any post-office in the kingdom, and get her Majesty's certificate of deposit entitling the holder to two and one-half per cent. interest from the day after the deposit till the day preceding its withdrawal. "Oh!" said the Yankee, "is that the whole of it? Well, it seems to me you are pretty durned smart to steal Kelley's machinery, and then come over here and denounce him as a lunatic for trying to get us to adopt it."

Interconvertible Bonds not an Experiment.

Our government tried the interconvertible system, with how high a degree of success Salmon P. Chase has told you. The British gov-

* It has already been shown that the great bulk of the war fine was paid to Germany, by France, in bills of exchange, drawn against merchandise; and that in paying the $1,100,000,000, the highest estimate of the loss of gold and silver by France was but $240,000,000, a sum probably greatly in excess of the actual amount.

ernment to-day holds under its postal savings-bank system deposits amounting to $125,000,000, every dollar of which might be demanded to-morrow. England thus proves the safety and value of this system. Men of America, why do you sit supinely by while dealers in national credit and bullion bind you in golden chains, and deprive you not only of profitable employment, but, like the man bled nearly to death, of all energy, enterprise, and hope? The time has come when you must either accept general and universal bankruptcy, or remember that you are American citizens, and that Congress and the executive are but the servants of the people.

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AND

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